

Amendments to House Bill No. 343
1st Reading Copy

Requested by Representative Brady Wiseman

For the House Federal Relations, Energy, and Telecommunications
Committee

Prepared by Todd Everts
February 13, 2009 (9:37am)

1. Title, page 1, line 5 through line 9.
Strike: "ALLOWING" on line 5 through "STANDARD;" on line 9
2. Title, page 1, line 9.
Following: "69-3-2003"
Strike: ", "
3. Title, page 1, line 10.
Strike: "69-3-2005,"
Insert: "AND"
Strike: "AND 90-4-1202,"
4. Page 1, line 22 through line 24.
Strike: subsection (2) in its entirety
Renumber: subsequent subsections
5. Page 2, line 1.
Strike: "(a)"
6. Page 2, line 2 through line 3.
Following: "capacity" on line 2
Strike: "; or" on line 2 through "capacity" on line 3
7. Page 2, line 12 through line 17.
Strike: subsections (8) and (9) in their entirety
Renumber: subsequent sections
8. Page 3, line 1.
Strike: "(10)"
Insert: "(7)"
9. Page 3, line 2.
Strike: "(10) (a)"
Insert: "(7) (a)"
10. Page 3, line 3.
Strike: "(10) (h)"
Insert: "(7) (h)"

11. Page 3, line 4 through line 7.
Strike: subsection (11) in its entirety
Renumber: subsequent subsections

12. Page 3, line 15.
Strike: "(12)(a)"
Insert: "(8)(a)"

13. Page 3, line 16.
Strike: "(12)(f)"
Insert: "(8)(f)"

14. Page 3, line 25 through line 26.
Strike: subsection (16) in its entirety
Renumber: subsequent subsections

15. Page 4, line 8 through page 5, line 14.
Strike: section 2 in its entirety
Renumber: subsequent sections

16. Page 7, line 15.
Strike: "69-3-2003(10)"
Insert: "69-3-2003(7)"

17. Page 7, line 20 through page 8, line 9.
Strike: section 4 in its entirety
Renumber: subsequent sections

- END -



DATE 2-13-09
HB 343

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February 13, 2009

Art Noonan, Chairman
House Federal Relations, Energy
& Telecommunications Committee
Montana Legislature
State Capitol
Helena, MT 59620

Dear Chairman Noonan:

This letter is written to the House Federal Relations, Energy and Telecommunications Committee in response to a question posed by Representative Brady Wiseman during the hearing on HB 343, held Monday, February 9, 2009.

Representative Wiseman asked NorthWestern Energy's spokesman to tell the committee what would be the impact on customer rates by the addition of small scale generating resources to NorthWestern's electricity supply portfolio. Forecasting that impact is inherently imprecise because the costs of NorthWestern's electricity portfolio change from month to month, a condition documented in our monthly electricity supply tracker filed with the PSC. Nevertheless, following the approach used in the fiscal note process, we will attempt to provide an answer based on the assumptions specified below.

Assumptions

1. The existing sources of generation will continue into the future producing electricity in the same amount for the same price. In 2008, NorthWestern delivered 5.940 million megawatt hours of electricity to its Montana customers.
2. All new generation resources will be small-scale renewables, which will be added to the existing portfolio by replacing existing power supplies.
3. NorthWestern is currently facing RPS requirements to add 70 megawatts (MW) of community renewable energy projects. (MDU is responsible for about 5 MW.) In addition, the PSC has mandated that NorthWestern purchase an additional 50 MW of power from small qualifying power producers (QFs). Thus, the total amount of power to be purchased is 120 MW.

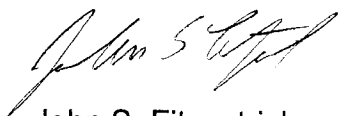
4. The small-scale renewables being brought onto the system will be wind powered with a capacity factor of 35%. No deduction is made for line losses, which typically run about 8%.
5. In 2008, the average customer rate (i.e., all customer classes) for electricity supply is 5.916 cents per kilowatt hour (i.e., does not include the transmission/distribution charge).
6. The price of renewable power in the future is unknown, but is expected to be about \$75.00 per megawatt hour and increase therefrom. The cost analysis is based on \$25.00 increments up to \$150.00 per megawatt hour.

Cost Analysis						
(1) New Generation Price per Megawatt Hour	(2) New Generation Total Megawatt Hours Produced	(3) Net Increase in Generation Cost Paid by Customers	(4) New Generation Price per Kilowatt	(5) Existing Average Rate per Kilowatt	(6) Total Cost per Kilowatt	(7) Percent Change
\$ 75.00	367,920	\$5.8 million	7.5 ¢	5.916 ¢	6.014 ¢	1.7%
\$100.00	367,920	\$15.0 million	10.0 ¢	5.916 ¢	6.169 ¢	4.3%
\$125.00	367,920	\$24.2 million	12.5 ¢	5.916 ¢	6.324 ¢	6.9%
\$150.00	367,920	\$33.4 million	15.0 ¢	5.916 ¢	6.479 ¢	9.5%

Discussion

As illustrated in the cost analysis, the inclusion of an additional 120 megawatts of small, renewable (wind) generation projects could increase the average price of power from 5.916 cents per kilowatt hour (kwh) up to 6.479 cents. The total projected cost of adding small-scale wind ranges from \$5.8 million up to \$33.4 million annually. Over a 35-year project life, ratepayers can expect to pay a minimum of \$203 million extra in power supply costs because of a governmental mandate requiring utilities to purchase small community renewable projects.

Very truly yours,



John S. Fitzpatrick
Executive Director
Governmental Affairs